

## Message Text

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21-12

ACTION COME-00

INFO OCT-01 ARA-16 ISO-00 EB-11 SS-15 INT-08 CIAE-00

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FM AMEMBASSY MEXICO

TO SECSTATE WASHDC 8209

C O N F I D E N T I A L MEXICO 7347

E.O. 11652: ADS, DECLAS 9/27/74

SUBJECT: PROPOSED US CONSORTIUM APPROACH TO ALTOS HORNOS STEEL  
MILL (AHMSA) EXPANSION

REF: STATE 190739

1. CONCERN REGARDING DISCRIMINATION AGAINST US INTERESTS IN  
RELATION TO AHMSA EXPANSION IS BELIEVED UNFOUNDED. OTHER  
FOREIGN COMPANIES ARE NATURALLY INTERESTED AND PROBABLY ARE  
ENLISTING WHATEVER HELP IS NEEDED TO FURTHER THEIR PRESENTATION.  
THIS INCLUDES JAPANESE, GERMANS, BRITISH AND EVEN ITALIANS.  
HOWEVER, MCKEE AND KOPPERS ARE NOT OUT OF THE RUNNING AND,  
ACCORDING TO REMARKS BY AHMSA PRESIDENT PADILLA DURING  
RECENT LUNCH WITH MCKEE ASSOCIATE FIRM BUFETE INDUSTRIAL,  
BIDS WILL PROBABLY BOIL DOWN TO NIPPON STEEL AND MCKEE/  
KOPPERS CONSORTIUM.

2. LOCAL MCKEE MANAGER JIM RIGGIO IS VERY CLOSE TO PROBLEM AND  
MAINTAINS EXCELLENT RELATIONSHIP WITH PADILLA AND OTHER KEY  
FIGURES. HE HAS STATED THAT DELAY IN MEETING IS DUE SOLELY  
TO ABSENCE OF TREASURY SECRETARY LOPEZ PORTILLO IN NAIROBI AND  
FACT THAT BOARD MEETING OF AHMSA IS TO BE HELD BEFORE BIDS MEETING.  
PRESENCE OF OPEZ PORTILLO ESSENTIAL TO BOARD MEETING, WHICH IS  
SCHEDULED FOR OCTOBER 15.

3. THERE IS REASON TO DOUBT THE REPORT THAT MODIFICATION OF  
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BIDDING PROCEDURES HAS BEEN PROPOSED AS RESULT OF PAPE STUDY.

MCKEE IS BIDDING TURNKEY BUT NOT LUMP SUM, WITH INDICATIONS THAT JAPANESE WILL TRY TO SUBMIT BID INCLUDING BOTH. LUMP SUM BIDDING ON PROJECT AS LARGE AS 140-150 MILLION REQUIRES MANY MONTHS' PREPARATION IF FIGURES ARE TO BE WITHIN ACCEPTABLE 5 PERCENT VARIANCE. APPARENTLY JAPANESE WILL BE FORCED TO MAKE BALLPARK ESTIMATE SINCE NO MAJOR LOCAL ENGINEERING FIRM HAS BEEN CONTACTED BY THEM FOR LOCAL COSTS, WHICH COMPRISE ABOUT 50 PERCENT OF TOTAL PROJECT. ALSO, LOSS OF TIME IN MAKING EXACT LUMP SUM FIGURE WOULD NOT BE IN ACCORD WITH AHMSA'S ADMITTED INTENTION TO BE ON STREAM IN 28-30 MONTHS, PRIOR TO LAS TRUCHAS INAUGURATION.

4. LOCAL MCKEE REPRESENTATIVE HAS CLOSE LIAISON WITH AHMSA AND IS HANDLING SITUATION ADMIRABLY, WITH ASSISTANCE OF OTHER MCKEE TOP OFFICIALS WHO HAVE VISITED MEXICO TO DISCUSS PROJECT. IT IS IMPORTANT TO MAINTAIN POSITIVE ATTITUDE AND NOT BE OVERWHELMED BY NUMEROUS RUMORS.

5. IMPLICATIONS OF PARAGRAPH 4 OF REFTTEL ARE NOT CONSIDERED COMPATIBLE WITH DEVELOPMENT OF NEGOTIATIONS AND WOULD ONLY MUDDY WATER AT THIS TIME.  
MCBRIDE

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